CLAIMS

What is claimed is:

1. A method for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the method comprising the steps of:

determining whether a matching trade in a second system of the plurality of systems is possible, a rate differential existing between the first system and the second system, the rate differential resulting in a hedging cost between the first system and the second system for the contract, a complete set including the plurality of contracts, each of the plurality of contracts maturing upon at least one particular event occurring, the complete set guaranteeing at least an initial settlement at at least one particular time, the complete set corresponding to a settlement value, the settlement value being based upon the initial settlement value, a winning contract of the plurality of contracts paying a notional upon maturing;

determining whether conducting a portion of the trade and a portion of the matching trade is profitable; and

performing the portion of the trade and the portion of the matching trade if conducting the portion of the trade and the portion of the matching trade is profitable.

2. The method of claim 1 wherein the settlement value is determined based upon the initial settlement value and an interest rate effect, if necessary.

3. The method of claim 1 wherein the profitability determining step further includes the step of:

determining whether a profit from conducting the portion of the trade and a portion of the matching trade is greater than or equal to the hedging cost.

4. The method of claim 1 wherein the profitability determining step further includes the step of:

determining whether a profit from conduction the portion of the trade and the portion of the matching trade is at least an amount, the amount being less than the hedging cost by a particular amount.

5. The method of claim 1 wherein a quantity of the contract is offered for trade in the first system and wherein the profitability determining step further includes the steps of:

determining the portion of the matching trade based upon the rate differential and the quantity, the portion of the matching trade corresponding to a second quantity.

6. The method of claim 5 wherein the performing step further includes the step of:

performing the trade for a first quantity and the matching trade for the second quantity.

7. The method of claim 6 wherein the first quantity is equal to the quantity

offered for trade.

8. The method of claim 7 wherein the trade performing step further includes the steps of:

accumulating the second quantity in the second system such that the second quantity corresponds to the first quantity.

9. The method of claim 1 wherein the trade is a bid to buy a quantity of the contract and the matching trade is an offer to sell the contract.

10. The method of claim 1 wherein the trade is an offer to sell a quantity of the contract and the matching trade is a bid to buy the contract.

11. The method of claim 1 further comprising the step of:

if the matching trade is possible but no corresponding offer and/or bid exists, providing a conditional order to trade in a third system, a second rate differential existing between the first system and the third system, the second rate differential resulting in a second hedging cost between the first system and the third system for the contract, the conditional order to trade having a condition, the condition being the trade taking place.

12. The method of claim 11 wherein the third system is the same the second system.

13. The method of claim 1 wherein the hedging cost is for at least one hedging instrument previously utilized in a prior transaction, thereby recycling the hedging cost.

14. The method of claim 1 wherein a portion of the plurality of contracts is offered for a second trade in a third system, the method further comprising the step of:

determining whether a second matching trade for at least one of the portion of the plurality of contracts is possible; and

performing at least a portion of the second trade and at least a portion of the matching trade if the at least the second trade and the at least the matching trade are profitable, thereby sharing the hedging cost.

15. The method of claim 14 wherein the notional is equal to the settlement value and wherein the hedging cost is determined based upon the settlement value.

16. The method of claim 14 wherein the portion of the plurality of contracts and the contract constitute at least one of the complete set of contracts.

17. The method of claim 1 wherein the notional is equal to the settlement value and wherein the hedging cost is determined based upon the settlement value.

18. The method of claim 1 wherein the profitability determining step further includes the step of:

determining a profit and the hedging cost for a plurality of values of the rate

differential.

19. The method of claim 18 wherein the performing step further includes the step of:

performing the portion of the trade and the portion of the matching trade at a preferred value of the plurality of values of the rate differential if the profit is greater than or equal to the hedging cost.

20. The method of claim 1 wherein the plurality of systems corresponds to a plurality of currencies and wherein the rate differential is an exchange rate.

21. The method of claim 1 wherein the plurality of systems corresponds to a plurality of credit ratings and wherein the rate differential corresponds to different credit costs.

22. The method of claim 1 wherein the trade is a bid to buy, the method further comprising the step of:

determining whether the hedging cost plus the settlement value is less than or equal to a selling revenue obtained from selling the contract and a remaining portion of the plurality of contracts corresponding to at least one bid, if any;

obtaining the complete set for the settlement value; and

selling the contract and the remaining portion of the plurality of contracts, if any, if the selling revenue is greater than or equal to the hedging cost plus the settlement value.

23. The method of claim 1 wherein the trade is an offer to sell at a particular price, the method further comprising the step of:

determining whether the hedging cost plus the particular price plus a cost of a remaining portion of the plurality of contracts is less than or equal to the settlement value;

assembling the complete set by buying the contract and the remaining portion of the plurality of contracts, if required, if the hedging cost plus the particular price plus the cost is less than or equal to the settlement value; and

redeeming the complete set for the settlement value.

24. The method of claim 1, wherein the matching trade determining, profitability determining, and trade performing steps are performed using a computer system.

25. The method of claim 1 wherein the profitability determining step further includes the steps of:

determining an available income for at least one hedging instrument having at least one hedging cost; and

selecting the portion of the matching trade and a portion of the at least one hedging instrument if a portion of the at least one hedging cost is less than or equal to the available income.

26. The method of claim 1 wherein the profitability determining step further includes the steps of:

determining a plurality of deltas corresponding to a plurality of hedging instruments;

selecting a portion of the plurality of deltas close or equal to a cost of a portion of the plurality of contracts; and

performing at least one corresponding trade and obtaining the portion of the plurality of hedging instruments.

27. The method of claim 1 wherein the profitability determining step further includes the steps of:

selecting at least one hedging instrument corresponding to the matching trade;

expanding possible matching trades for the at least one hedging instrument; and

selecting the final trade based upon the at least one hedging instrument and the possible matching trades.

28. The method of claim 1 further comprising the step of:

converting a plurality of bets from a bet-odds format to the plurality of contracts.

29. The method of claim 1 further comprising the step of:

converting the plurality of contracts to a bet-odds format.

30. A method for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the method comprising the steps of:

determining whether it is profitable to individually sell the contract and a portion of the plurality of contracts, the portion of the plurality of contracts corresponding to at least

one bid, if any, the at least one bid being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value, ;

obtaining the complete set of contracts, if individually selling the contract and the portion of the plurality of contracts is profitable; and

individually selling the contract and the portion of the plurality of contracts, if individually selling the contract and the portion of the plurality of contracts is profitable.

31. The method of claim 30 wherein the settlement value is determined based upon the initial settlement value and an interest rate effect, if necessary.

32. The method of claim 30 wherein the profitability determining step further includes the step of:

determining whether at least one hedging cost plus the settlement value is less than or equal to a selling profit obtained from selling the contract and the portion of the plurality of contracts.

33. A method for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a

first system, the trade being an offer to sell at a particular price, the method comprising the steps of:

determining whether individually buying the contract at the particular price and a remaining portion of the plurality of contracts is profitable, the at least one bid being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value, a winning contract of the plurality of contracts paying a notional upon maturing;

assembling the complete set by buying the contract and the remaining portion of the plurality of contracts, if required, if individually buying the contract and the remaining portion of the plurality of contracts and exchanging the complete set is profitable; and

exchanging the complete set for the settlement value, if profitable.

34. The method of claim 33 wherein the settlement value is determined based upon the initial settlement value and an interest rate effect, if necessary.

35. The method of claim 33 wherein the profitability determining step further includes the step of:

determining whether at least one hedging cost plus the particular price plus cost of the remaining portion of the plurality of contracts is greater than or equal to the settlement

value.

36. A computer-readable medium containing a program for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the program including instructions for:

determining whether a matching trade in a second system of the plurality of systems is possible, a rate differential existing between the first system and the second system, the rate differential resulting in a hedging cost between the first system and the second system for the contract, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value, a winning contract of the plurality of contracts paying a notional upon maturing;

determining whether conducting a portion of the trade and a portion of the matching trade is profitable; and

performing the portion of the trade and the portion of the matching trade if conducting the portion of the trade and the portion of the matching trade is profitable.

37. The computer-readable medium of claim 36 wherein the profitability determining instructions further includes instructions for:

determining whether a profit from conducting a portion of the trade and a portion of the matching trade is greater than or equal to the hedging cost.

38. The computer-readable medium of claim 36 wherein the plurality of systems corresponds to a plurality of currencies and wherein the rate differential is an exchange rate.

39. The computer-readable medium of claim 36 wherein the plurality of systems corresponds to a plurality of credit ratings and wherein the rate differential corresponds to different credit costs.

40. A computer-readable medium containing a program for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the program including instructions for:

determining whether it is profitable to individually sell the contract and a portion of the plurality of contracts, the portion of the plurality of contracts corresponding to at least one bid, if any, the at least one bid being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value, a winning contract of the plurality of contracts paying a notional upon maturing;

obtaining the complete set of contracts, if individually selling the contract and the portion of the plurality of contracts is profitable; and

individually selling the contract and the portion of the plurality of contracts, if individually selling the contract and the portion of the plurality of contracts is profitable.

41. A computer-readable medium containing a program for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the trade being an offer to sell at a particular price, the program containing instructions for:

determining whether individually buying the contract at the particular price and a remaining portion of the plurality of contracts is profitable, the at least one bid being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, a complete set including the plurality of contracts the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value,, a winning contract of the plurality of contracts paying a notional upon maturing;

assembling the complete set by buying the contract and the remaining portion of the plurality of contracts, if required, if individually buying the contract and the remaining portion of the plurality of contracts and exchanging the complete set is profitable; and

exchanging the complete set for the settlement value, if profitable.

42. The computer-readable medium of claim 41 wherein the profitability determining instructions further includes instructions for:

determining whether at least one hedging cost plus the particular price plus cost of the remaining portion of the plurality of contracts is greater than or equal to the settlement value.

43. A special purpose vehicle (SPV) for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the SVP comprising:

means for determining whether a matching trade for the contract in a second system of the plurality of systems is possible, a rate differential existing between the first system and the second system, the rate differential resulting in a hedging cost between the first system and the second system for the contract, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value, a winning contract of the plurality of contracts *paying a notional upon maturing*;

means, coupled with the matching trade determining means, for determining whether conducting a portion of the trade and a portion of the matching trade is profitable; and

means, coupled with the profit determining means, for performing the portion of the trade and the portion of the matching trade, if the profitable.

44. The SPV of claim 43 wherein the profitability determining means further determine whether a profit from conducting a portion of the trade and a portion of the matching trade is greater than or equal to the hedging cost.

45. A special purpose vehicle (SPV) for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being

offered for a trade in a first system, the SPV comprising:

means for determining whether it is profitable to individually sell the contract and a portion of the plurality of contracts, the portion of the plurality of contracts corresponding to at least one bid, if any, the at least one bid being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value and an interest rate effect, if any, a winning contract of the plurality of contracts paying a notional upon maturing;

means for obtaining the complete set of contracts, if it is profitable to individually sell the contract and the portion of the plurality of contracts; and

means for individually selling the contract and the portion of the plurality of contracts, if it is profitable to individually sell the contract and the portion of the plurality of contracts.

46. A special purpose vehicle (SPV) for managing risk for a plurality of contracts offered for trading in a plurality of systems, a contract of the plurality of contracts being offered for a trade in a first system, the trade being an offer to sell at a particular price, the SPV comprising:

means for determining whether individually buying the contract at the particular price and a remaining portion of the plurality of contracts is profitable, the at least one bid

being in at least a second system, at least one rate differential existing between the first system and the at least the second system, the rate differential resulting in the at least one hedging cost between the first system and the at least the second system, a complete set including the plurality of contracts, the complete set guaranteeing at least an initial settlement value at at least one particular time, the complete set also corresponding to a settlement value, the settlement value being based upon the initial settlement value and an interest rate effect, if any, a winning contract of the plurality of contracts paying a notional upon maturing;

means for assembling the complete set by individually buying the contract and the remaining portion of the plurality of contracts, if required, if it is profitable to individually buy the contract and the remaining portion of the plurality of contracts; and

means for exchanging the complete set for the settlement value, if it is profitable to individually buy the contract and the remaining portion of the plurality of contracts and exchange the contract and the remaining portion if the plurality of contracts for the settlement value.